

# Late Backup

Item No. 157

8/28/2014

Initiated by CM Riley

## RESOLUTION NO.

**WHEREAS**, the City of Austin is committed to protecting the long-term health and viability of our community and being a good steward for the planet through strategies designed to reduce greenhouse gas emissions and mitigate the effects of climate change; and

**WHEREAS**, the City Council passed Resolution No. 20070215-023 that established the framework for the Austin Climate Protection Plan (2007 ACPP), and set the goals of making Austin Energy (AE) the leading utility for greenhouse gas reductions and meeting 30 percent of all our energy needs through the use of renewable resources by 2020, with 100 megawatts (MW) required to come from solar; and

**WHEREAS**, in April 2010, City Council approved the AE Resource, Generation, and Climate Protection Plan to 2020 (2010 Gen Plan), which set out specific utility strategies to meet the goals set out in the 2007 ACPP, increased the renewable energy goal to 35 percent, increased the solar component of the renewable energy goal from 100 MW to 200 MW, and further directed that the plan would become effective upon the

Council's subsequent adoption of an affordability matrix; and

**WHEREAS**, on February 17, 2011, the City Council recognized the importance of economic considerations in the generation resource planning

process and adopted ~~the~~ an affordability goal of keeping calling for Austin Energy to operate so as to control all-in (base, fuel, riders, etc.) rate increases to residential, commercial, and industrial customers to 2% or less per year, and to maintain AE's current all-in competitive rates among in the lower 50 percent lowest of Texas utilities and limiting annual rate increases to no more than two percent for any customer class rates overall

("Affordability Goal"); and

**WHEREAS**, the City Council passed Resolution No. 20131024-053 that amended the 2010 Gen Plan to specify that 50 percent of the previously adopted 200 MW goal will be local solar, and at least 25 percent of the 200 MW goal will be local customer-owned solar; and

**WHEREAS**, in March of 2014 the City Council authorized Austin Energy to enter into a power purchase agreement for 150 MW of utility-scale solar at a price below that of energy produced from Austin Energy's natural gas fleet, demonstrating that the market has drastically changed since the 2010 Gen Plan adoption and further highlighting the economic stability and attractiveness of solar energy; and

**WHEREAS**, in April of 2014, City Council passed Resolution No. 20140410-024 (2014 ACPP) that recognized the need to further accelerate the reduction of greenhouse gas emissions beyond the 2007 ACPP standards, set a goal of reaching net zero community-wide greenhouse gas emissions by 2050, and noted that we should achieve this goal sooner if feasible, because emissions reductions accomplished sooner are more important and valuable for our city's climate protection efforts; and

**WHEREAS**, the City Council has appointed the 2014 Austin Generation Resource Planning Task Force (2014 Task Force) to update the 2010 Gen Plan and make recommendations on the utility's generation mix to 2024 and to further set the energy sector of the City of Austin on a glide path to achieve the emissions standards set forth in the 2014 ACPP; and

**WHEREAS**, the 2014 Task Force reaffirmed the Affordability

Goals~~Goal~~ that would ~~keep~~ calls for Austin Energy to operate so as to control all-in (base, fuel, riders, etc.) rate increases to residential, commercial, and industrial customers to 2% or less per year, and to maintain AE's current all-in competitive rates among in the lower 50 percent lowest of Texas utilities and limit annual rate increases to no more than two percent for any customer class rates overall; and

**WHEREAS**, the 2014 Task Force found that solar energy represents a cost competitive means of securing clean peak power hedging against the volatility of fuel dependent thermal resources, and recommended that solar energy generation should be the new default generation resource through 2024; and

**WHEREAS**, the 2014 Task Force specific recommendations for solar include: (i) the contracting of 600 MW of utility-scale solar (in addition to the 150 MW already under contract) acquired prior to 2017 to replace power from the Decker Creek Power Plant; (ii) increasing the goal for local solar from 100 MW to 200 MW; and accelerating distributed solar through third party leasing and other financial mechanisms; and

**WHEREAS**, in July 2014 the Electric Utility Commission for the City of Austin recommended accelerating distributed solar by setting a floor for the Residential Solar Tariff, adopting most of the program changes proposed by Austin Energy, and rejecting the Austin Energy proposed 25-year natural gas price quote as an energy value input in assessing the 2015 tariff; and

**WHEREAS**, the City Council recognizes the diligent and hard work of the 2014 Task Force, and further acknowledges the significance of the city's continued leadership and resolve in combatting man-made climate change, while maintaining affordable rates for customers; **NOW, THEREFORE**,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

That the City Council directs the City Manager to develop and implement, and to report to the City Council annually on the progress of, policies, procedures, timelines, and targets necessary to make Austin the leading city in the nation in the effort to reduce and reverse the negative impacts of global warming and reduce harmful emissions, including but not limited to the following initiatives:

- 1) Continue achieving Austin's emission reduction goals and making Austin Energy the leading utility in the nation for greenhouse gas reductions through measures including:
  - a. reducing CO2 emissions from all city-controlled generation resources to zero by 2030, following a glide path against the year 2010 as a baseline;
  - b. meeting 50 percent of all energy needs through the use of renewable resources by 2020, and 65 percent of all energy needs through the use of renewable resources by 2025;
  - c. accelerating the procurement of solar energy to replace the output of power from Decker Creek Power Plant by setting a goal of 600 MW of new utility-scale solar by 2017; and
  - d. increasing the goal for local solar from 100 MW to 200 MW by

2020, with at least 100 MW being customer-controlled (behind the meter) solar.

2) Advance the local solar market and eco-cluster by facilitating the meeting of the City's local solar goal through program design enhancements, including:

- a. revising Austin Energy's commercial and residential solar incentive program guidelines and qualifications to allow third-party leased system hosts to participate in a commercial and residential incentive program; and
- b. adopting program changes to the Residential Solar Tariff, as follows: (i) remove the year-end credit sweep and allow credits to roll over from year to year; (ii) remove the 20 kW tariff cap; (iii) set an annual floor equal to the residential electric rates of a tier 3 customer; (vi) allow leased system hosts to receive value of solar credits; and (vii) adopt the 5-year rolling average in calculating the annual assessment; and
- c. revising the annual assessment methodology to calculate the natural gas value in the energy value component of the Residential Solar Tariff, as follows: the sum of the annual average of upfront historical AE fuel hedging premium costs

over the previous 5 years (not the settlement results), plus annual average projected natural gas costs over 25 years. Projected natural gas costs shall be the 25-year projected average of future natural gas prices using available public market data (e.g. NYMEX) for the first 10 years and continued average percent per-year growth or decline (i.e. exponential best fit) for years 11 to 25; and

d. submitting any future Residential Solar Tariff methodological changes for approval by the City Council.

3) Develop a comprehensive strategy for the deployment and use of distribution-level and transmission-level storage technologies with a target of at least of 200 MW of fast response storage resources by 2024.

**BE IT FURTHER RESOLVED** that the City Council reaffirms its

~~commitment to the affordability goals included in the Austin Energy Resource, Generation and Climate Protection Plan approved on February 17, 2011; namely, the goal of keeping Austin Energy rates among the 50 percent lowest of Texas utilities and limit annual rate increases to no more than two percent for any customer class.~~ goal approved on February 17, 2011, calling for Austin Energy to operate so as to control all-in (base, fuel, riders, etc.) rate increases to residential, commercial, and industrial customers to 2% or less

per year, and to maintain AE's current all-in competitive rates in the lower 50 percent of Texas rates overall, and underscores that the policy direction stated in this resolution is subject to the expectation that the affordability goal will remain in place.

**ADOPTED:** August 28, 2014

**ATTEST:** \_\_\_\_\_

Jannette S. Goodall  
City Clerk